

JOINT LEADERSHIP COUNCIL OF VETERANS SERVICE ORGANIZATIONS

2011 Executive Order 29 Recommendation #3

Sales and Use Tax Exemption for Veterans Service Organizations

1. **OBJECTIVE:** To recognize the community service and philanthropic contributions of Virginia's Veterans Service Organizations (VSOs) by establishing an exemption for VSOs from state and local Sales or Use Taxes.
2. **BACKGROUND:**
 - The IRS has recognized VSOs as exempt from federal income tax under section 501 (c) (19) of the Internal Revenue Code.
 - The Code of Virginia 58.1-609.11. Exemptions for nonprofit entities provides an exemption for sales or use taxes for entities exempt from federal income taxation under 501 (c) (3) or 501 (c) (4) of the Internal Revenue Code.
 - VSOs classified as 501 (c) (19) perform essentially the same functions as those classified as 501 (c) (30 or 501 (c) (4).
 - For example, the VFW Congressional Charter establishes "charitable" as one of the purposes of the organization
 - In 2010, the VFW Department of Virginia and Auxiliaries reported the expenditure of \$1,852,292 and a donation of 339,052 volunteer hours in support of numerous community activities for the citizens of the Commonwealth
 - The VFW volunteer hours cited are valued at \$8,926,533, making the total value of contributions approximately \$11.0 million annually
 - Similarly, in 2009, the American Legion reported the expenditure of \$3,193,679 and a donation of 452,411 volunteer hours in support of community service
 - Other smaller VSOs also contribute dollars and hours in support of community service
3. **DISCUSSION:**
 - Given the level of community service performed by VSOs as expressed in dollars and hours, VSOs should be accorded the same sales and use tax exemption as 501 (c) (3)s and 501 (c) (4)s
 - An exemption would free sales and use tax dollars spent on maintenance, cleaning, and office supplies for additional community service expenditures.
 - VSOs that provide food/beverage service in conjunction with Bingo operations would no longer be double taxed.
 - Currently VSOs pay sales tax on purchase of supplies and sales tax on gross proceeds.
 - The neighboring states of Maryland, West Virginia, and North Carolina provide sales and use tax exemption for VSOs.
 - Providing sales and use tax exemption to VSOs will continue Virginia's move toward making Virginia "the most veteran-friendly state in the nation."
4. **RECOMMENDATION:** That the Governor and General Assembly establish a sales and use tax exemption in the Code of Virginia for VSOs.